



COUNCIL MINUTES

June 12, 2008

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 12, 2008 at 7:30 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Alex Finter
Dina Higgins
Kyle Jones
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Councilmember Richins participated in the meeting through the use of telephonic equipment.)

1. Hear a presentation, discuss and provide direction on revising the 2008 bond program, including Street and Public Safety projects and associated funding.

City Manager Christopher Brady stated that in response to the Council's direction at the June 5, 2008 Study Session, staff has revised the original 2008 General Obligation (G.O.) Bond package and focused on the most critical Public Safety and Street projects that require funding in the short term.

Deputy City Manager Bryan Raines displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office.) and provided a brief overview of this item. His comments included, but were not limited to, the following: that the revised bond program would fund projects between November 2008 and November 2010; that the projects would be budgeted over three fiscal years, commencing in FY 2008/09; that the original \$408.8 million bond package, which included 16 Public Safety and 46 Street projects, has been reduced to 11 Public Safety and 12 Street projects, at a cost of \$157.9 million (See Attachment 1.); that the 0.3% sales tax is utilized primarily for street maintenance and a majority of the available capital would be earmarked to advance construction of the Gateway Freeway; and that the "program value" of the Street projects is \$124.1 million (\$24.5 million in reimbursements to the City from Prop. 400 and \$99.6 million in G.O. Bonds required).

Mr. Brady noted that the Street projects staff has chosen to advance would not only save the City money in the long run, but are also needed in order to address various traffic safety/congestion issues that exist today. He explained that in addition, the projects would

provide access around Phoenix-Mesa Gateway Airport and “open up” other areas of the community for economic development.

Transportation Director Dan Cleavenger and Traffic Engineer Alan Sanderson responded to a series of questions posed by the Council with regard to the proposed Street projects and the manner in which they were prioritized.

Discussion ensued relative to the fact that it would take 21 years to retire the estimated new G.O. Bond debt service (\$157.9 million), at an average tax rate of \$0.1320 per thousand dollars assessed valuation; that by FY 2011/12, an additional \$4.3 million in Public Safety operations and maintenance (O&M) expenditures (i.e., 12 firefighters and facilities) will be anticipated and that such an amount would increase by approximately 3% annually; that the estimated debt service offset allocated to Public Safety O&M would extend from FY 2009/10 through FY 2026/27, at an average tax rate of \$0.0289 per thousand dollars assessed valuation; and that the City could, if deemed appropriate by the Council, levy a property tax on a portion of the existing G.O. Bond debt that would “free up” General Fund monies to fund the O&M costs for the identified fire stations and other projects included in the Public Safety bond package.

Mayor Smith clarified that staff’s proposal to levy a property tax on a portion of the existing G.O. Bond debt in order to free up General Fund monies to pay staffing costs at the proposed Public Safety facilities is simply that and stated that the Council has not made a decision in that regard. He thanked staff, however, for including the proposal as another option for Council consideration with regard to the bond package.

Mr. Raines further indicated that when the estimated new G.O. Bond debt service and the debt service offset for Public Safety O&M costs are combined, the average tax rate would be \$0.1625 per thousand dollars assessed valuation. Mr. Raines also highlighted the ballot language which, per the Council’s discretion, could include the following bolded language: “The issuance of these bonds will result in an annual levy of property taxes sufficient to pay the debt on the bonds **unless the governing body provides for payment from other sources.**”

City Attorney Debbie Spinner explained that per State Statute, if it is the intention of the Council that the G. O. Bond debt service be paid through the levy of a secondary property tax, then the above-referenced bolded language should not be included on the ballot. She noted, however, that if the Council intends to consider options other than a secondary property tax, then such language should be included on the ballot.

Extensive discussion ensued between staff and the Council relative to a number of projects included in the proposed bond package. The discussion included, but was not limited to, the replacement of the Dobson Police Station and the recent decentralization of resources to the district stations; the elimination of the Arraignment Center project from the revised Public Safety bond package; the replacement of Police aircraft; Emergency Radio Communications System upgrades; a brief overview of Fire Station 215; the proposed construction of Fire Stations 218 and 219; response times in District 5; and the potential expansion of the Transitional Response Vehicles (TRV) Program.

In response to a question by Councilmember Richins, Ms. Spinner clarified that in November of 2007, the previous Council approved the original \$408.8 million G.O. Bond package, which was

adopted by resolution. She explained that if this Council adds or deletes projects from the initial bond package, staff would bring back an amended resolution for adoption.

Councilmember Finter stated that with Mesa's increasing baby boomer/retirement population, he questioned whether "the ultimate answer" is to build more fire stations or to pursue other options that would deliver service in a timely manner to this growing segment of the community.

Mr. Brady suggested that if the Council would like staff to eliminate and/or add projects to the bond program, that today would be a good opportunity to do so. He also stated that because this item requires Council adoption by resolution, placing the matter on the July 1, 2008 Council meeting agenda would provide the Council with additional time to discuss the various projects.

Mayor Smith expressed appreciation to staff for their efforts and hard work to revise the bond package. He stated that he would prefer that this item be brought back to discuss specific projects that may be of concern to his fellow Councilmembers, after which time the resolution could be finalized in preparation for Council adoption.

Councilmember Somers stressed the importance of Mesa residents providing their input and feedback to the Council and staff with regard to the revised two-year bond program. He stated that if it is the opinion of the voters that all of the projects included in the five-year bond program should move forward, then perhaps Mesa should not limit itself to a two-year bond package.

Mayor Smith suggested, for the benefit of Mesa residents, that staff post the revised bond package on the City's website like they did with the initial \$408.8 million bond program. He also commented that although Mesa is experiencing serious financial challenges at this time, it is crucial that the community "continue to invest in itself in bad times as well as good times." Mayor Smith added that to do nothing would put the community at a real disadvantage.

Mayor Smith thanked staff for the presentation.

2. Hear a presentation, discuss and provide direction on the FY 2008/2009 budget including, but not limited to:

a. Washington Activity Center

Assistant Parks, Recreation and Commercial Facilities Director Mike Holste and Housing and Revitalization Director Carolyn Olson addressed the Council relative to this item.

Mr. Holste reported that at the June 2, 2008 Council meeting, several Councilmembers inquired whether it would be possible for the Washington Activity Center (WAC) to remain open through the summer to allow additional time to pursue alternative funding sources to operate the facility. He explained that since that time, WAC staff has begun a comprehensive summer program, with an estimated 60 to 80 neighborhood children participating.

Mr. Holste stated that it is staff's recommendation that the Council consider a two-phase funding solution that would enable the center to remain open for FY 2008/09 and allow for comprehensive neighborhood community meetings to seek a long-term funding solution for the operation of the facility. He reviewed the first funding option as follows: The Parks, Recreation and Commercial Facilities Division (PRCFD) would eliminate after-school sports programs at

two elementary schools in order to cover the WAC operating expenses from July 1, 2008 through August 31, 2008 (at an estimated cost of \$25,000). Ms. Olson highlighted the second option as follows: The Housing Services Division proposes to use Community Development Block Grant (CDBG) contingency funds to continue to fully staff and operate the center from September 1, 2008 through June 30, 2009.

Discussion ensued relative to the fact that the City is required to have a percentage of the funds that is received from Housing and Urban Development (HUD) available at all times for contingency; that such funds can be used for emergency projects such as this item; that staff reduced the number of schools that would participate in the after-school programs from 32 to 20; and that staff has not yet selected the schools that will participate in the programs, but would ensure adequate coverage throughout the City.

Vice Mayor Jones inquired whether it would be possible for the City to use CDBG contingency funds to pay for all of the WAC's staffing and operational costs for the FY 2008/09 and not eliminate the after-school sports programs at two elementary schools.

Ms. Olson responded that in order to provide the necessary funding to the WAC, staff must amend the CDBG Annual Plan, which requires Council approval. She explained that the approval process takes approximately 60 days to complete and added that the City could not reimburse itself during that period of time for the Center's operational costs.

Councilmember Kavanaugh thanked staff for their recommendation. He commented that the WAC is an important symbol of Mesa's underserved community and noted that staff's proposal demonstrates "a good example" of a partnership between the City of Mesa and the community.

Vice Mayor Jones said that the Council is seeking the assistance of nonprofit organizations or citizens who are willing to fund the WAC on a long-term basis.

Mayor Smith stated that the City is committed to doing whatever it can to ensure that the WAC remains open this summer. He cautioned, however, that staff's recommendation is only "a temporary fix" and noted that alternative funding solutions must be explored through a community effort. Mayor Smith added that it was the consensus of the Council that this item be included in the FY 2008/09 budget.

Mr. Brady advised that in September, staff would bring back the amended CDBG Annual Plan for Council approval.

Mayor Smith thanked staff for the presentation.

(Mayor Smith excused Councilmember Richins from the remainder of the meeting at 9:34 a.m.)

b. Residential Planning and Building Safety fees

Mayor Smith stated that at the June 23, 2008 Council meeting, he anticipates that stakeholders would address the Council relative to this issue. He explained that in fairness to the new Council, he requested that staff provide a brief overview of the matter so that the Council could make an appropriate decision at that time.

Development Services Director Christine Zielonka displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that the Building Safety Division is a restricted fund and its operations are tied strictly to permit fees. She explained that such fees fund six positions in the Planning Division, as well as a portion of engineering services related to improving City infrastructure and engineering inspections. Ms. Zielonka advised that the goal of the Planning Division is to achieve approximately 30% cost recovery overall through revenues generated from application fees. She added that in response to the recent downturn in the economy, the Planning Division initiated significant cost cutting initiatives in Planning & Building Safety through, among other things, the elimination of over 50 full-time and part-time employees, the elimination of hardware and software upgrades, and the closure of the East Mesa Service Office.

Planning Director John Wesley reported that at the May 5, 2008 Council meeting, the previous Council approved all of the Planning Division's proposed fee increases with the exception of increases for single residence applications (Pre-Submittal, Rezone, Site Plan and a Technology Fee). He explained that at the June 23rd Council meeting, the Council would consider those fees in conjunction with various Building Safety fee increases. Mr. Wesley referred to a document entitled "Current and Proposed Fees for Single Residence Applications" and reviewed the various applications and associated fees. (See Attachment 2.)

Discussion ensued relative to the fact that on June 23rd, the Council will consider the Civil Engineering Sheet Fee (a combination of Building Safety staff time, with the goal of full cost recovery, and an Engineering cost recovery rate increase from 30% to 65%); that the recommended amount of the new Technology Improvement Fee would be 4% of each permit and service fee amount, with a maximum assessment on any one permit fee or service fee of \$400; and that based, for example, on a 60-acre, 103-lot subdivision, the financial impact of the combined residential fees (Planning Fees, Civil Engineering and Permit Fees) would result in a \$275 cost increase per home as compared to the current fees.

Ms. Zielonka further noted that implementing the proposed fee increases for single residence applications would result in an additional \$15,600 in Planning Fees and \$146,000 in Building Safety revenue. She added that if the fee increases were not implemented, there would be reduced service levels, a decreased level of cost recovery, and it would be necessary to implement greater increases in the future.

Councilmember Kavanaugh stated that although he supports the proposed fee increases, he is concerned with the concept of "fees on fees" and in particular, the Technology Improvement Fee. He commented that it seems as though the City might be moving down a similar road as the airlines in terms of imposing "fees for everything." Councilmember Kavanaugh stated that the technology fee is not necessarily a large fee, but just like the airlines' fees for checking bags and buying soft drinks, it can be a source of "irritation" to customers. He added that he would prefer that such a concept not be widely adopted by the City.

Mr. Brady responded that staff was attempting to demonstrate to the development community the manner in which the funds were being earmarked to improve service. He assured the Council that staff would be sensitive to Councilmember Kavanaugh's concerns in the future.

Mayor Smith voiced appreciation to staff for their efforts "to balance the realities of money with the demands of service." He commented that he becomes concerned, however, when the City

is driven more to cost recovery than it is to service. Mayor Smith noted that although the City's actual level of service may be one thing, there might be a perception that Mesa is not meeting the needs of the development community. He suggested that the Council engage in long-term discussions in order to address those perceptions and seek possible solutions in that regard. Mayor Smith added that soliciting input from the stakeholders would also be an important component of such discussions.

Mr. Brady said that he would be happy to bring back to the Council on a regular basis "a tracking of staff's performance relative to their efficiency and effectiveness." He added that it is also important for staff to "step up" with regard to the customers' perception of the services they are receiving at the City of Mesa.

Ms. Zielonka assured the Council that her primary goal has been to address customer service and assess how staff can become more efficient. She also concurred that it is essential for the stakeholders to participate in this process and provide input relative to what level of service they require as opposed to what level of service staff believes they should receive.

Mayor Smith thanked everyone for the presentation.

3. Hear reports on meetings and/or conferences attended.

Councilmember Somers:	DMB Open House relative to the future Mesa Proving Grounds development.
Vice Mayor Jones:	National League of Cities' Public Safety and Crime Prevention Steering Committee meeting.

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Thursday, June 19, 2008, 7:30 a.m. – Study Session

Thursday, June 26, 2008, 7:30 a.m. – Study Session

Thursday, June 26, 2008, 8:00 a.m. – Joint Meeting with the Planning & Zoning Board

5. Items from citizens present.

There were no items from citizens present.

6. Adjournment.

Without objection, the Study Session adjourned at 9:59 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 12th day of June 2008. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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(attachments - 2)